

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01
INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 SP-02
LAB-04 EPG-02 SIL-01 OMB-01 NSC-05 SS-15 STR-04
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R 061310Z JUL 77
FM AMEMBASSY ROME
TO SECSTATE WASHDC 5693
TREASURY DEPT WASHDC
INFO AMCONSUL MILAN
AMCONSUL NAPLES

UNCLAS ROME 10974

PASS FRB

E.O. 11652 N/A
TAGS: EFIN, IT
SUBJ: JUNE TREASURY FINANCING OPERATIONS; INTEREST RATE
DEVELOPMENTS

REF: A. ROME 10279 B. ROME 9744 C. ROME 9111 D. ROME 8319

1. JUNE SALE OF ORDINARY TREASURY BILLS (BOTS) AND OF NEW
VARIABLE RATE TREASURY CREDIT CERTIFICATES (CCTS) AT REGULAR
MONTHLY AUCTION WAS GENERALLY CONSIDERED TO BE A SUCCESS,
BOTH IN TERMS OF AMOUNTS SOLD TO BANKS AND THE PUBLIC AND IN
TERMS OF THE MONETARY AUTHORITIES' CURRENT INTEREST RATE POLICY.
THE WERE NET SALES TO BANKS AND TO THE PUBLIC OF
TREASURY SECURITIES OF ABOUT 1090 BILLION LIRE, OF WHICH 323
BILLION WERE IN ORDINARY TREASURY BILLS AND 767 BILLION IN NEW
TWO-YEAR CERTIFICATES. RESULT OF JUNE SALES WAS SOME UPWARD
SHIFT IN MATURITIES HELD BY THE BANKS AND THE PUBLIC, WHILE
YELDS CONTINUED THE SLOW DOWNWARD MOVEMENT WHICH MONETARY
AUTHORITIES HAVE RECENTLY BEGUN TO FAVOR. SUMMARY BREAKDOWN
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OF AMOUNTS OF MATURING AND OF NEW TREASURY SECURITIES PURCHASED
BY TYPE OF HOLDER IS SHOWN IN ITABLE 1 AND COMPARATIVE YELDS OF
MAY AND JUNE BILL RATES ARE SHOWN IN ITABLE 2. (IN ADDITION,
OUTSIDE OF THE AUCTION, 2500 BILLION LIRE OF BOTS AND 2000
BILLION LIRE OF CCTS WERE SOLD DIRECTLY TO BOI IN JUNE.)

2. FINANCIAL PRESS ON JUNE 25 GENERALLY PORTRAYED SALES OF

767 BILLION LIRE OF 1000 BILLION LIRE OF NEW CCTS WHICH WERE OFFERED TO BANKS AND PUBLIC AS SUCCESS. FAILURE TO PLACE FULL AMOUNT OF 1000 BILLION LIRE OFFERED TO PUBLIC WAS ATTRIBUTED TO SHORT TIME PERIOD BETWEEN ANNOUNCEMENT AND DEADLINE FOR OFFERS, RELATIVE LACK OF PUBLICITY AND RELUCTANCE OF COMMERCIAL BANKS TO FLOG THIS NEW SAVINGS INSTRUMENT WHICH COMPETES WITH BANK DEPOSITS. RELATIVE DROP IN BOT YELDS COMPARED TO MAY AUCTION SHOULD BE SEEN IN TERM OF RECENT POLICY OF MONETARY AUTHORITIES TO ALLOW ITALIAN INTEREST RATES TO DECLINE SLIGHTLY, IN LINE WITH DECELERATION OF PRICE INFLATION AND IMPROVEMENT IN BALANCE OF PAYMENTS. FOLLOWING TWO POINT CUT IN DISCOUNT RATE (REF B), REDUCTION IN PRIME RATE BY 1-1.5 POINTS (REF A) AND RECENT EASING OF INTER-BANK INTEREST RATES, FINANCIAL PRESS AND BUSINESS COMMUNITY ARE WATCHING COMMERCIAL BANKS TO SEE HOW THEY WILL RESPOND TO "RECOMMENDATION" FROM BANKING ASSOCIATION TO REDUCE INTEREST RATES PAID ON BANK DEPOSITS. PRESS SPECULATES THAT REDUCTIONS WILL GENERALLY BE ON ORDER OF ONE TO ONE-HALF POINTS (APPARENTLY IN ADDITION TO CUT IN MAXIMUM DEPOSIT RATE FROM 16.50 PERCENT TO 15.75 PERCENT BY CARTEL BANKS, PER REF D), ALTHOUGH EACH BANK IS FREE TO PAY WHAT IT THINKS THE MARKET WILL BEAR.

3. TABLE 1 - JUNE TREASURY FINANCING (BILLIONS OF LIRE)

MATURING PURCHASED NET

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1. TREASURY BILLS

BANKS/PUBLIC	3,494.1	3,816.8	322.7
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BOI	3,505.9	3,183.2 (1)-322.7
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TOTAL	7,000.0	7,000.0	-
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2. 2-YR. TREAS. CERTIFICATES

BANKS/PUBLIC	-	766.9	766.9
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BOI	-	2,233.1 (2) 2,233.1
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TOTAL	-	3,000.0	3,000.0
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3. TOTAL

BANKS/PUBLIC 3,494.1 4,583.7 1,089.6

BOI 3,505.9 5,416.3 1,910.4

TOTAL 7,000.0 10,000.0 3,000.0

(1) INCLUDING BILLION PLACED DIRECTLY WITH BOI

(2) INCLUDING 2000 BILLION PLACED DIRECTLY WITH BOI

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4. TABLE 2 - TREASURY SECURITY YIELDS (1)

MAY JUNE

TREASURY BILLS

3 MOS. 16.76 15.32

6 MOS. 16.62 15.62

12 MOS. 16.62 15.87

TREASURY CERTIF.

2 YRS. - 16.27 (2)

(1) COMPOUND ANNUAL RATES

(2) JANUARY 1978 (FIRST PAYMENT). GARDNER

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NNN

Message Attributes

Automatic Decaptioning: X
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Control Number: n/a
Copy: SINGLE
Sent Date: 06-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Litigation Codes:
Litigation History:
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